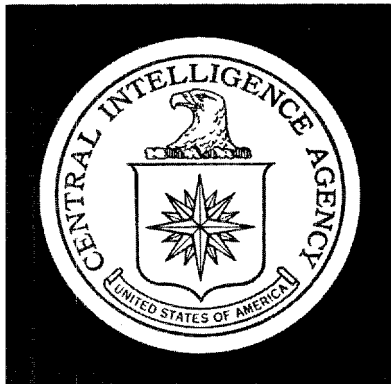


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23 March 1968

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Approved For Release 2003/04/18 : CIA-RDP79T00975A010900180001-1

23 March 1968

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Central Intelligence Bulletin

CONTENTS

25X1

Rumania - Eastern Europe: Bucharest braces itself for pressure from the USSR and its allies. (Page 4)

Poland: Students abandon strike in Warsaw. (Page 5)

Czechoslovakia: Premier Lenart becomes acting president as political factions maneuver. (Page 7)

Hungary: Budapest approves of changes in Prague, but not at home. (Page 9)

Philippines-Malaysia: Disclosure of Philippine preparations to infiltrate Sabah aggravates President Marcos' problems. (Page 10)

India - Communist China: New Delhi concerned that dissident Naga tribesmen are being aided by Peking. (Page 11)

Sweden: Erlander government will persist in criticizing US over Vietnam. (Page 12)

25X1

Southern Yemen: Moderates gain (Page 13)

USSR-Cuba: Trade protocol (Page 13)

Panama: President's trial (Page 14)

25X1

Approved For Release 2003/04/18 : CIA-RDP79T00975A010900180001-1

Next 3 Page(s) In Document Exempt

Approved For Release 2003/04/18 : CIA-RDP79T00975A010900180001-1

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*Rumania - Eastern Europe: The Rumanian regime appears to be bracing itself for some type of political or economic pressure from the USSR or its East European allies.

[redacted]
the regime expects a deterioration in its relations, including economic difficulties, with the Soviet Union and those Communist countries which are "satellites" of Moscow.

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Bucharest plans to improve its political and economic ties with Belgrade, [redacted]
The joint Rumanian-Yugoslav mixed economic commission met in mid-March, subsequent to the Warsaw Pact meeting in Sofia, to discuss expanded trade relations.

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Yugoslav Foreign Minister Nikezic arrived in Bucharest on an unexpected official visit on 21 March. He was accompanied by two specialists, [redacted]

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[redacted] In addition the Rumanian ambassador to the US has been called home suddenly for consultations.

The Rumanian Government has started to enforce a two-year-old regulation restricting contacts by Rumanians with foreigners, including representatives of the other European Communist countries and especially the Soviet Union.

The Rumanian regime's fears of economic pressures by Moscow may be justified. In mid-March, Soviet In-tourist officials cancelled Easter tours of the USSR, Poland, and Rumania which were to have been carried on five passenger aircraft chartered from the Rumanian airline, TAROM. The tours would have earned hard currency for Bucharest.

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23 Mar 68

4

25X1

*Poland: Tension eased somewhat in Warsaw early this morning as militant students at the Polytechnic Institute apparently heeded faculty appeals to abandon a mass sit-in.

According to fragmentary press reports, some 4,000 students left the school, apparently without incident, after helmet-clad riot police sealed off access to them. Many left in buses for nearby hostels.

Earlier, the students had appealed for popular support, displaying posters which read "Warsaw help us" and "Workers, our cause is your cause." Friday night riot police quietly dispersed sympathetic crowds in front of the institute in a move to isolate the protestors.

Leaflets handed out yesterday by the Polytechnic students made clear that those involved categorically rejected Gomulka's analysis of the situation. The students reiterated their uncompromising will to struggle against "hypocrisy and cant," and their opposition to the brutal application of "lupine laws." The leaflet said students had no course but to continue their protests, which are aimed at reversal of repressive domestic policies.

The high morale and organization at the Polytechnic has contrasted sharply with the demoralized atmosphere at Warsaw University. There, a sympathy sit-in broke up when police began to record names. There is no conclusive evidence that sympathy strikes are taking place at provincial universities.

According to one student, the demonstrators are giving the regime until 22 April to redress their grievances. Although the students made no threats, they reportedly will try to get worker support in the form of strikes and demonstrations if the deadline is not met.

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23 Mar 68

5

The emotional student appeals could now evoke a responsive chord among other elements, especially if there is new violence. The party continues to stage rallies of workers in attempts to demonstrate support. There is an increasing number of reports, however, that this tactic is failing. One such meeting in a Warsaw plant yesterday reportedly collapsed after the small number of workers who showed up walked out. Workers are also said to be collecting money to pay fines for students arrested last week.

There is continuing activity at the top party levels, but no new policy pronouncements have been forthcoming since Gomulka's speech on 19 March. Many persons in Warsaw reportedly consider the speech inadequate to the situation, and as a result there is general uneasiness about the future.

23 Mar 68

6

*Czechoslovakia: Premier Josef Lenart has assumed the duties of former president Novotny.

Lenart will be acting president until the National Assembly is called together to elect a new chief of state. Presumably this will not be until after 28 March when the party central committee meets to discuss changes in leadership and in national policies.

The ink was hardly dry on Novotny's resignation when the name of 72-year-old General Ludvik Svoboda was proposed as a replacement by the association of Czechoslovak veterans. Svoboda was commander of Czechoslovak forces which were formed in the Soviet Union during World War II; he was defense minister from 1945 to 1950, when he was purged. Svoboda is ill-equipped to be president and if he were elected, he would probably be a figurehead, unable to use the considerable powers of the office.

Josef Smrkovsky, a leading exponent of sweeping reform, is commonly believed in Prague to be the most likely candidate. The 57-year-old Smrkovsky is a member of the party's central committee. He had a good record as an underground leader during World War II. In 1950 he, too, was arrested on trumped up political charges. He was rehabilitated in 1963. If elected president, he would represent the antithesis of past Stalinist oppression.

Meanwhile, a Czechoslovak Embassy officer in Moscow has implied that the recent visit of Planning Chief Cernik may have sown the seeds of the first serious Czechoslovak-Soviet confrontation--on economic issues. The officer said that the new Czechoslovak leadership is deeply concerned with the need for economic improvement and is preparing to seek aid from the United States and Western European economic organizations.

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23 Mar 68

7

He added, however, that Czechoslovakia's desire to attract Western aid is complicated by commitments to the USSR and its allies. It is possible that during his discussions in Moscow, Cernik attempted to reassure the USSR about Czechoslovak intentions to maintain close economic ties, even if it should turn to the West for aid.

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

23 Mar 68

8

Hungary: Budapest has expressed approval of the changes in Czechoslovakia but made it clear that none are needed in Hungary.

A signed editorial published on 21 March in the main party daily wished the Czechoslovaks success. This is the first explicit approval the Czech liberalization has received from a Warsaw Pact member, although Rumania has been implicitly in favor of Dubcek.

The editorial warned Prague, however, of the danger of unbridled dissent under the guise of "complete liberty." Hungarians, it noted, learned to their sorrow in 1956 that criticism, originally justified, soon became excessive and "cost much in blood, personal tragedy, and material damage."

Hungarian authorities have taken steps to keep the population calm. On 22 March, for example, unusual radio broadcasts, concerning a temporary call-up of reservists for maneuvers, stressed that the matter was routine. Earlier, government officials reportedly prevented university students in Budapest from staging a demonstration in support of the Polish students.

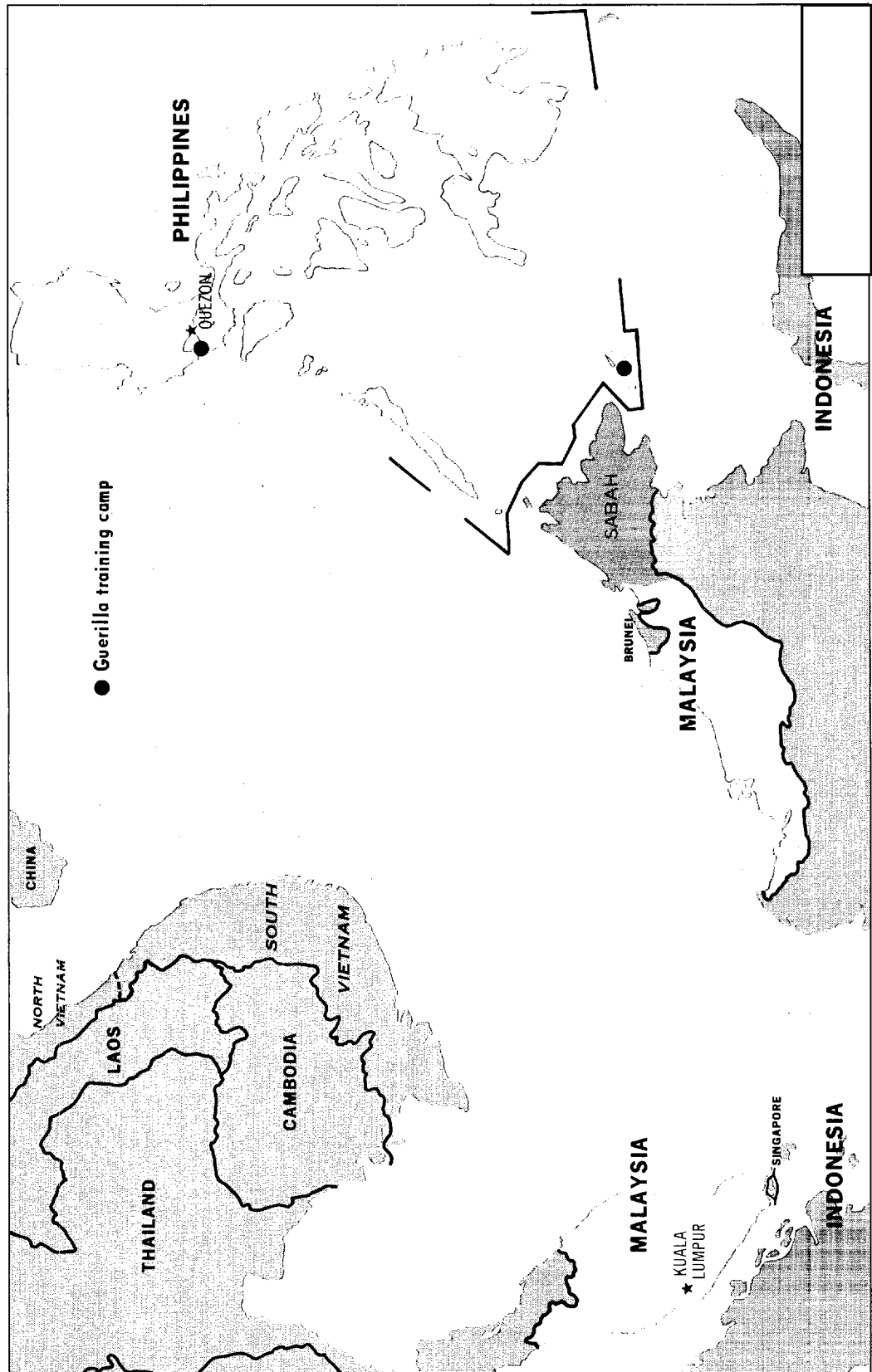
In contrast to its reporting on Czechoslovakia, the tone of Hungarian coverage makes clear that the leadership takes a dim view of events in Poland.

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23 Mar 68

9

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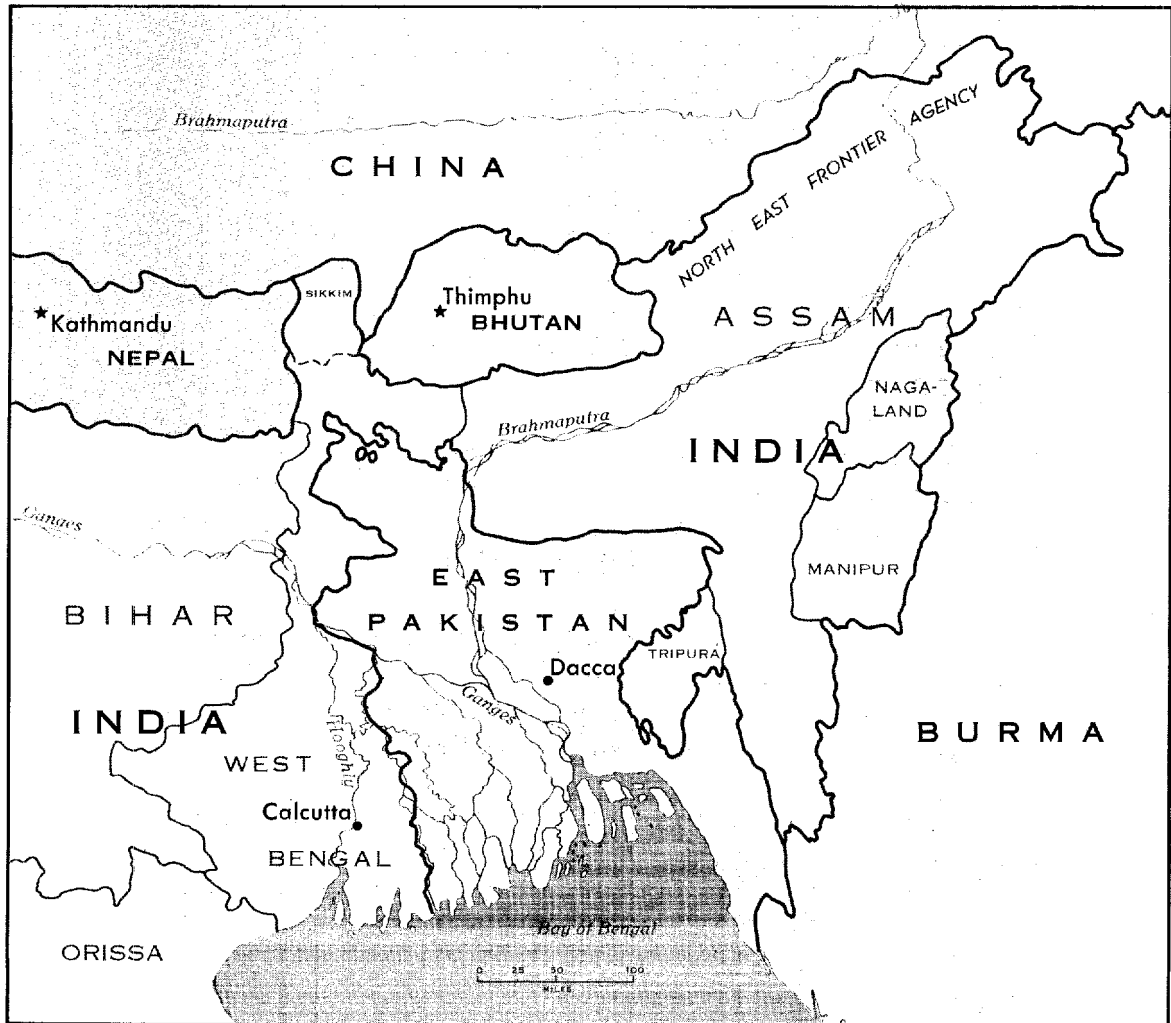
Philippines-Malaysia: Public disclosure of a training camp presumably preparing personnel to infiltrate Sabah has aggravated President Marcos' domestic problems.

Marcos has already moved to comply with the Philippine Congress' demand for a full investigation. His compliance reflects mounting difficulties with Congress, where he is already under attack over the Philippine civic action team in South Vietnam.

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Kuala Lumpur will probably take the question up privately with Manila. It is unlikely, however, to make a major issue of the matter because of its interest in regional cooperation.

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India - Communist China: New Delhi is concerned that dissident Naga tribesmen from northeastern India are being aided by Communist China.

Prime Minister Indira Gandhi recently told Parliament that "several hundred" hostile Nagas had gone to China for guerrilla warfare training.

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Naga insurgents have long used northern Burma as a sanctuary and small groups of them could easily have passed through the unpoliced region to seek Chinese support. Although Peking has recently been giving propaganda support to Naga insurgency, there is no evidence that the Chinese have extended significant material assistance.

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The Indian Army, in collaboration with state authorities in Nagaland, recently has been taking stronger action against some 6,000 rebel Nagas. The local population, apparently apathetic toward the rebels, has not resisted these army efforts. The neighboring Manipur administration reportedly has also succeeded in driving back to Nagaland most of the underground groups which had gradually spread into that area.

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23 Mar 68

11

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Sweden: The parliamentary debate on foreign policy this week demonstrates the Erlander government will persist in its critical line toward the US over Vietnam.

In his strongest statement to date upholding North Vietnam, Foreign Minister Nilsson described the Hanoi regime as "progressive" and enjoying the support of the people. There were few defenders of the US or the Saigon government. Even the non-Socialist opposition, which also has its eyes on the September national elections, hesitated to challenge the government on the issue.

Nilsson sought to picture the recall of Ambassador Heath as an attempt to put pressure on Stockholm. He said that even the threat of a deterioration in commercial relations with the US could not deflect the government from its course. [REDACTED]

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Southern Yemen: Events in Aden on 20 March appear to have stemmed from army dissatisfaction with recent extremist activities on the part of the regime. The upshot appears to have been a boost for the "moderates," with the army being allowed to suppress the extremists. The Front is still in authority, and it remains to be seen whether its policies will show any reversal of recent pro-Communist trends. A Soviet military delegation arrived on 21 March, presumably in response to earlier Southern Yemeni overtures.

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USSR-Cuba: The announcement of a Soviet-Cuban trade protocol for 1968 suggests that political differences between the two countries have not seriously affected economic relations. The new pact, signed after six months of negotiations, calls for a ten percent boost in trade to a planned level of about \$970 million. Press reports also mention a Soviet credit of \$328 million. Such a credit might cover refinancing of previous credits, funds to cover 1966 and 1967 balance of payments deficits which exceeded expected levels, plus balance of payments assistance for 1968.

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23 Mar 68

13

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Panama: National Guard Commandant Vallarino reportedly intends to seal off the National Assembly area when President Robles' trial begins Sunday morning. National Union leader Arnulfo Arias has instructed his followers to avoid provocative actions against government supporters or Vallarino's troops, and he may change the site of the mass rally he had scheduled in front of the Assembly building during the trial. Although some radicals are pressing "to fight it out in the streets" if Vallarino does not remove Robles from office, Arias will probably avoid action pending a ruling from the Supreme Court when it reconvenes on 1 April.

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